

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY TOKYO

UNCLAS STATE 039537

E.O. 11652:N/A

TAGS: OEXC, JA

SUBJECT: GARIOA CONVERTIBILITY

REF: TOKYO 1544, STATE 31318

1. SUMMARY: DEPT HAS RECEIVED LETTER FROM TREASURY DATED FEB 10, WHICH DISCUSSES TWO POINTS WITH REFERENCE TO EXCHANGE OF NOTES UNDER DISCUSSION WITH GOJ, NAMELY THE DEPOSIT OF FUNDS WITH AMERICAN BANKS IN JAPAN AND THE AVAILABILITY OF FRIENDSHIP TRUST FUND MONIES FOR PAYMENT OF OKINAWA EXPO BILLS. END SUMMARY.

2. TEXT OF LETTER FROM FISCAL SERVICE, BUREAU OF GOVT FINANCIAL OPERATIONS: QTE - THIS IS IN REFERENCE TO THE CURRENT NEGOTIATIONS BETWEEN THE U.S. GOVERNMENT AND THE GOVERNMENT OF JAPAN CONCERNING THE JAPAN-UNITED STATES FRIENDSHIP ACT, DATED OCTOBER 20, 1975. WE FEEL THAT THE EXCHANGE OF NOTES CURRENTLY BEING DISCUSSED WITH THE UNCLASSIFIED

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GOVERNMENT OF JAPAN SHOULD INCLUDE TWO IMPORTANT POINTS

WHICH ARE OF SOME CONCERN TO THE DEPARTMENT OF THE TREASURY.

FIRSTLY, THE U.S. GOVERNMENT SHOULD BE PERMITTED TO PLACE U.S. OWNED JAPANESE YEN, IN INTEREST BEARING ACCOUNTS WITH AMERICAN BANKS LOCATED IN JAPAN. PURSUANT TO U.S. LAW

(31 USC 473) AMERICAN FINANCIAL INSTITUTIONS ARE TO BE GIVEN PREFERENCE, WHENEVER IN THE JUDGEMENT OF THE SECRETARY OF THE TREASURY SUCH INSTITUTIONS ARE SAFE AND ARE ABLE TO RENDER THE SERVICE REQUIRED. WE REFER MORE SPECIFICALLY TO THE AMOUNT AVAILABLE FOR THE INTERNATIONAL OCEAN EXPOSITION WHICH WILL REMAIN ON DEPOSIT IN THE ACCOUNT OF THE TREASURY REGIONAL DISBURSING OFFICER.

FOR YOUR INFORMATION, THE TOTAL GARIOA AMOUNT APPROXIMATING TO 14.5 MILLION DOLS HAS, IN THE PAST, BEEN PLACED ON TIME DEPOSIT WITH 13 JAPANESE BANKS AND 6 AMERICAN BANKS. ALTHOUGH WE ARE UNABLE TO FIND ANY WRITTEN AGREEMENT BETWEEN THE USG AND THE GOJ THAT REQUIRED THIS ACTION, CERTAIN CABLE TRAFFIC APPEARS TO INDICATE THAT PERHAPS AN AGREEMENT WAS REACHED WITH THE MINISTRY OF FINANCE SEVERAL-YEARS AGO TO USE JAPANESE BANKS FOR THE PLACEMENT OF THESE FUNDS.

IT IS OUR OPINION THAT IF THE GARIOA AMOUNT AVAILABLE TO THE TRUST FUND IS CONVERTED, THE REMAINING AMOUNT AVAILABLE FOR THE EXPOSITION SHOULD BE PLACED EXCLUSIVELY WITH AMERICAN BANKS IN JAPAN NOT ONLY BECAUSE OF THE ADMINISTRATIVE COSTS INVOLVED IN MAINTAINING 19 DIFFERENT TIME ACCOUNTS, BUT BECAUSE WE ARE REQUIRED TO DO SO PURSUANT TO THE ABOVE MENTIONED STATUTE.

SECONDLY, WE FEEL THAT THE EXCHANGE OF NOTES SHOULD CLEARLY STATE THAT THE AMOUNT OF THE TRUST FUND IS TO BE USED FOR EXPENDITURES IN JAPAN UNDER THE ACT, MAY ALSO BE MADE AVAILABLE FOR EXPENDITURES INCURRED AS A RESULT OF THE INTERNATIONAL OCEAN EXPOSITION IN OKINAWA, WHICH IS ALSO IN CONCERT WITH THE ACT.

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CURRENTLY, THE AMOUNT AVAILABLE FOR THE EXPOSITION IN OKINAWA IS APPROXIMATELY 2.3 MILLION DOLS. HR14013 DATED MAY 7, 1974, STATES THAT NOT LESS THAN 2.5 MILLION DOLS OF THE AMOUNT APPROPRIATED FOR UNITED STATES PARTICIPATION IN THE INTERNATIONAL OCEAN EXPOSITION SHALL BE PAID IN JAPANESE YEN ACCRUED UNDER THE SETTLEMENT OF POST-WAR ECONOMIC ASSISTANCE BETWEEN THE UNITED STATES AND JAPAN DATED JANUARY 9, 1962. ALSO, EXPENDITURES SHOULD NOT

EXCEED 5.6 MILLION DOLS.

SINCE THE JAPAN-U.S. FRIENDSHIP ACT CLEARLY STATES THAT ALL GARIOA FUNDS SHOULD BE MADE AVAILABLE TO THE TRUST FUND, EXCLUDING THE AMOUNT REQUIRED TO MEET THE EXPENDITURES FOR THE EXPOSITION, WE BELIEVE THAT IF THE CURRENT BALANCE OF 2.3 MILLION DOLS EQUIVALENT IS EXPENDED, AND

ADDITIONAL FUNDS ARE REQUIRED TO MEET THE EXPENDITURES OF THE EXPOSITION, THEN THE TRUST FUND SHOULD MAKE THESE FUNDS AVAILABLE.

IT IS FELT THAT THE LANGUAGE YOU DEVELOP FOR THE EXCHANGE OF NOTES CONCERNING THE ABOVE POINTS SHOULD BE FORWARDED TO THE EMBASSY IN TOKYO SO THAT THEY CAN BE INSERTED IN THE EXCHANGE OF NOTES AT THE EARLIEST POSSIBLE TIME SO THAT ANY PROBLEMS THAT MAY BE ENCOUNTERED CAN BE RESOLVED BEFORE THE MARCH 11, 1976 DEPOSITS MATURE.

YOUR COOPERATION IN THIS MATTER IS APPRECIATED. - UNQTE.

3. REQUEST EMBASSY ADVISE AS TO STATUS DRAFT EXCHANGE OF NOTES. INGERSOLL

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